

## Texas: New challenges to solve and old challenges that need new solutions



David M. Kall | Tuesday, February 7, 2017

In Gov. Greg Abbott's [state-of-the-state speech](#), he declared that Texas "is in the middle of an innovation renaissance," touting the facts that the state has the second highest number of Fortune 500 companies, has added more than 200,000 new jobs in spite of last year's "downturn in the oil patch," and is number two in the nation for women-owned businesses.

In addition, without "breaking the budget," the governor applauded lawmakers' improvements in early and higher education, unclogging congested roads, boosting border security, and "end[ing] the [legislative] session with the largest savings account of any state in America."

Nevertheless, he pointed to the Lone Star State's "new challenges to solve and old challenges that need new solutions," promising to cut spending in the current biennium. Indeed, during the speech, he announced that he had directed state agencies to impose an immediate hiring freeze, through the end of August, expected to free up \$200 million.

[The Texas Tribune](#) reported that exempt from the freeze would be agencies whose jobs that have a direct impact on public safety are exempt. This includes the Department of Family and Protective Services, in order to allow the continuation of reforms of the state's foster care system and Child Protective Services. In his speech, Gov. Abbott lamented that last year 100 children died in the state's Child Protective System. He asserted that his budget proposal includes more funding for Child Protective Services than the House or Senate, and begged lawmakers not to "underfund this rickety system."

The governor's efforts to protect children extend to a focus on "the vexing challenge of school finance." Litigation over the state's funding mechanism has been a constant presence in the state court system since the 1980s, as we [explained](#) last May when the Texas Supreme Court concluded that it was constitutional, but barely. In that 100-page [opinion](#), the court expressed "hope that lawmakers will seize this urgent challenge and upend an ossified regime ill-suited for 21st century Texas."

Other topics that the governor's speech covered include the following:

- **Taxes and regulation:** Gov. Abbott re-established his position in this area: "the only good tax is a dead tax." To this end, he wants to "cut the business franchise tax until it fits in a coffin" and reform the property tax system with by imposing a "real revenue cap," and preventing cities from raising property taxes without voter approval.

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- **Economic opportunity:** The governor sought full funding of the [Texas Enterprise Fund](#), which is the “deal closing fund” designed to attract business to the state. Each project must satisfy several conditions, like the creation of new, high paying jobs, and undergo an [11-step due diligence process](#). According to the governor, the Texas Enterprise Fund has attracted more than a half a billion dollars in capital investment and added thousands of new jobs in the past two years.
- **Union dues:** To preclude the practice of using taxpayer money to support the collection of union dues, Gov. Abbott called for ending the practice of government deducting union dues from the paychecks of employees.

In support of these and other initiatives, Gov. Abbott released his [budget proposal](#) for 2018-19. His requests include the following:

- \$236 million this biennium for pre-K, or \$118 million per year;
- Additional permanent cuts in the franchise tax rates, for savings of \$250 million;
- \$5 billion in new road construction funding;
- Fully funding oil and gas severance taxes dedicated by [Proposition 1](#), which appeared on the ballot in 2014. Proposition 1 diverted half of the general revenue derived from oil and gas taxes from the Rainy Day Fund to the State Highway Fund, for the purpose of providing transportation funding for the repair and maintenance of public roads. Economists forecasted the diversion of approximately \$1.2 billion per year to transportation funding.
- Funding the full transfer of \$5 billion in [Proposition 7](#) funds, on the ballot in 2015, which appropriated revenues from the sales and use tax revenue and state motor vehicle sales and rental tax revenue to the State Highway Fund, in order to build, maintain and restore non-tolled public roads and repay transportation-related debt.
- \$800 million for border security to fulfill the governor’s plan for 250 additional troopers dedicated to the border region, maintenance and deployment of detection technologies, such as the cameras, among other things.

Ultimately, Gov. Abbott’s budget “looks to the future by strategically investing in priorities that protect the safety and security of Texans, furthering educational advancement of our future workforce and empowering the private sector to create jobs, while also defending individual liberties and freedom from governmental overreach.”



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